

## Some Infrastructure Programs Cut

*Cutbacks occurred in 1995-96 in various Federal infrastructure programs covering transportation, wastewater, and public works. New Federal infrastructure initiatives include a program for financing drinking water systems, the 1996 farm legislation's Fund for Rural America, and provisions of the Telecommunications Act of 1996 for universal service in rural areas.*

A well-functioning infrastructure network (composed of transportation, waste and wastewater, telecommunications, and other public facilities) is an important component of rural economic development. Recently, cutbacks have been implemented in a variety of Federal infrastructure programs, including public transit, passenger rail, airports, wastewater infrastructure, and public works. A major new Federal program designed to help States build and improve their drinking water systems was enacted, but will not take effect until fiscal year 1997. The 1996 farm legislation also authorizes increased funding for rural infrastructure beginning in 1997. Universal telecommunications service contained in the Telecommunications Act of 1996 also initiates a regulatory process in support of future rural telecommunications infrastructure projects.

### Many Transportation Programs Received Reduced Funding

The largest funding cuts among infrastructure programs involved transportation. In mid-1995, the Rescissions Act (P.L. 104-19) cut \$2.1 billion in airport capital accounts that fund airport improvements in many rural areas and \$132 million for Federal-Aid Highway funding. Both of these programs are important in the West, especially in nonmetro counties (fig. 1). The fiscal year 1996 Omnibus Spending Act (P.L. 104-134) also cut \$664 million in unused accounts from the \$1.45-billion (fiscal year 1996) Airport Improvement Program, and added \$300 million to the \$20.8-billion Federal-Aid Highway Program.

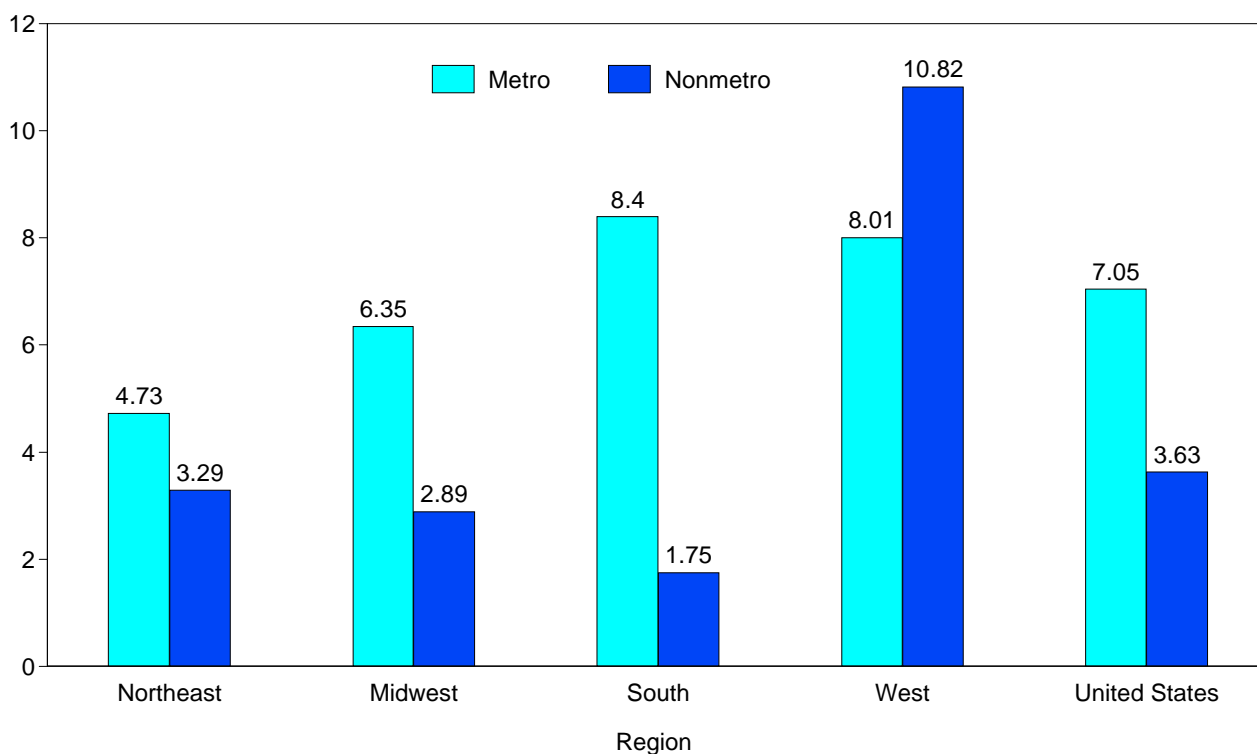
Additional funding cuts resulted from the fiscal year 1996 transportation appropriations legislation (P.L. 104-50). Specifically, rural areas will be affected by the 16-percent fund-

Figure 1

### Per capita grants for Airport Improvement Program, fiscal year 1994

*Nonmetro counties in the West get most aid*

Dollars



Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

ing decrease in the Nonurbanized Area Formula Apportionments for Public Transportation (Section 5311). Because Federal human service programs are an important source of funding for public transportation programs affecting low-income and elderly populations, future cuts in medicaid and medicare might also significantly affect transportation services available to these groups, particularly in rural poverty and retirement counties.

Other programs associated with transportation infrastructure that received reduced funding for fiscal year 1996 include Essential Air Services, Amtrak, and Local Rail Freight Assistance. The Essential Air Services Program provided about \$30 million in fiscal year 1995 to restore air service to small communities that lost it after deregulation; its funding was cut over 25 percent. Some rural areas may also be hurt by the nearly 25-percent reduction in the Federal subsidy for the Nation's passenger rail network. Amtrak represents one of the few viable transportation options for residents in some rural communities, particularly for persons without access to automobiles. Hence, low-income residents, the elderly, and persons with disabilities may be hurt most. The Local Rail Freight Assistance Program, which provided \$10 million in fiscal year 1995 for the maintenance of rail lines as freight carriers abandoned or cut back service, received no funding in the fiscal year 1996 transportation appropriation. These cutbacks will not have a widespread negative effect on nonmetro America, but specific rural areas that rely on these programs could be hard hit.

### **Some Environmental Infrastructure Programs Were Cut**

Environmental infrastructure is a key to sustainable development in rural areas. The Environmental Protection Agency (EPA), which had to operate without permanent appropriations for more than half of fiscal year 1996, operates the clean water State Revolving Fund (SRF) Program. This \$1.35-billion program (fiscal year 1996), which finances the construction of wastewater treatment facilities, lost nearly \$1.1 billion in unused accounts under the 1995 Rescissions Act. The clean water SRF Program also oversees a new \$50-million fund for wastewater treatment in impoverished communities. Additional provisions include \$150 million for construction of wastewater facilities in the lower Rio Grande Valley, with a \$50-million match by the State of Texas, and \$15 million in grants for wastewater infrastructure in Native Alaskan villages.

Rural communities, in particular, might benefit from a new Federal program aimed at helping States build and improve their drinking water systems. This program authorizes \$7.6 billion over 5 years for State revolving loan funds (RLF's) to improve drinking water starting in fiscal year 1997.

USDA's Rural Utilities Service (RUS) operates the \$1.3 billion (fiscal year 1995) Water and Waste Disposal Program. This program, which was cut about 25 percent under the 1996 USDA appropriation, provides financial assistance (loans and grants) to nonmetro communities with populations of less than 10,000. About a quarter of all nonmetro counties received assistance in fiscal year 1994 under this program (fig. 2). USDA's Water 2000 initiative uses Federal funds to leverage private sector money to deliver safe, affordable drinking water by the year 2000 to the estimated 1.2 million rural residents without complete indoor plumbing facilities. In 1995, Water 2000 funded 217 new water treatment systems; it is projected to fund about 150 new systems in 1996.

### **Telecommunications Programs to Receive Greater Emphasis in Future**

The Commerce Department's Telecommunications and Information Infrastructure Assistance Program is designed to promote the widespread use of advanced telecommunications (such as the Information Superhighway) throughout the Nation. This small program (\$42 million in fiscal year 1995) directly benefits rural areas by using telecommunications to improve the quality and increase the accessibility of various social services, such as health care and education. Its budget was cut nearly in half in fiscal year 1996.

USDA's RUS operates the \$935-million (fiscal year 1996) rural electrification and the \$490-million (fiscal year 1996) rural telecommunication loan programs. These programs

provide loans for upgrading and expanding facilities to improve electric and telephone service to rural residents, and both received modest funding increases in fiscal year 1996.

Looking to the future, the Telecommunications Act of 1996 (P.L. 104-104), which deregulates the telecommunications industry (see section on Regulations), endorsed the concept of universal service so that rural areas with low population density and limited economic opportunities will not be excluded from the benefits of modern telecommunications technology. To achieve this, subsidies offered through the RUS will be provided to reduce connection costs. The 1996 farm legislation also authorized \$100 million annually in grants and loans for using technology to provide medical and educational services in rural areas.

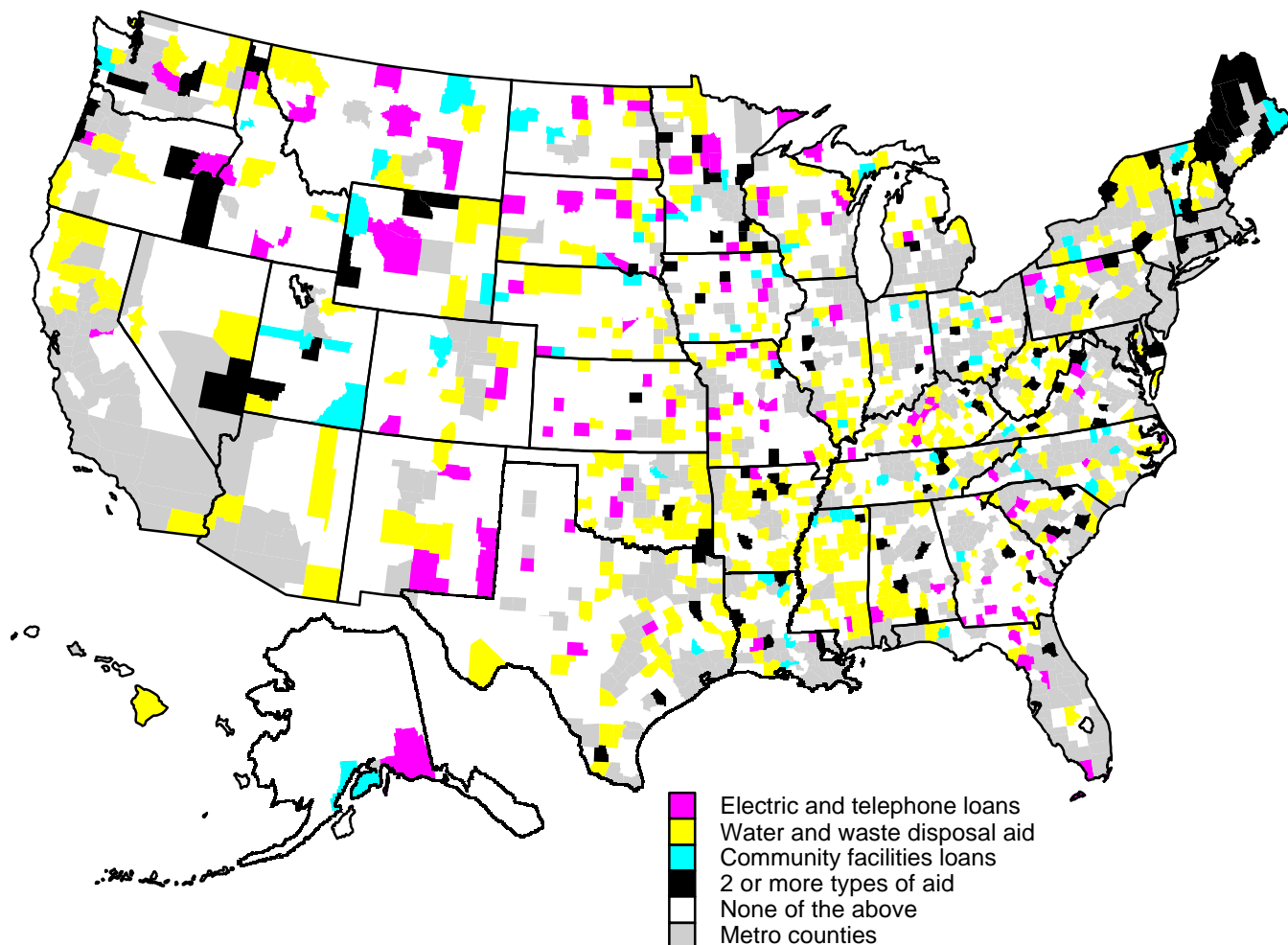
### Changes in Other Infrastructure Programs

USDA operates a number of other important rural infrastructure programs. For example, the Forest Service's \$313-million (fiscal year 1995) Payments to States Program provides grants for public schools and public roads located on national forest lands. This program was cut modestly (5 percent) in fiscal year 1996, mainly affecting rural areas in the West.

Figure 2

### USDA rural infrastructure programs, fiscal year 1994

*One-third of all nonmetro counties receive aid*



Source: Calculated by ERS using Federal Funds data from the Bureau of the Census.

In contrast, the Rural Housing Service's \$227-million (fiscal year 1995) Community Facilities Loan Program, which provides direct and guaranteed loans for a variety of community facilities in rural areas, received a funding increase of 25 percent in fiscal year 1996.

The Department of Commerce's Economic Development Administration (EDA) is another important source of funding for rural public works and infrastructure projects, providing grants for a variety of public facilities such as water and sewer systems, industrial access roads, port and railroad facilities, schools, and business incubator facilities. Under the Omnibus Spending Act of 1996, the \$194-million EDA public works grant program (fiscal year 1995) was cut by nearly \$30 million.

Rural infrastructure should benefit from the 1996 farm legislation's authorization of \$300 million for a new Fund for Rural America, which would make funds available for 3 years, beginning in January 1997. This money could be spent on housing, infrastructure, and other rural development research projects. The farm legislation also established the Rural Community Advancement Program to improve the coordination and effectiveness of USDA's community and business development programs in rural communities. This legislation also included an additional \$10 million annually for rural community facilities.

The recently created North American Development Bank will help finance or facilitate financing of NAFTA- (North American Free Trade Agreement) related projects in Mexico and the United States. This should help affected rural areas finance environmental infrastructure projects and community economic adjustment projects. *[Dennis Brown, 202-219-0329, dennisb@econ.ag.gov]*